



OFFICE OF THE COMPTROLLER
CITY OF ST. LOUIS



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December 2, 2009

Glenda Thomas, Executive Director
2nd Genesis Group Home
1401 Newhouse Avenue
St. Louis, MO 63107

RE: Federal Emergency Shelter Grant (FESG) (Project #2009-HOM6)

Dear Ms. Thomas:

Enclosed is a report of our fiscal monitoring review of 2nd Genesis Group Home, a not-for-profit organization, Federal Emergency Shelter Grant Program, for the period January 1, 2008 through March 31, 2008. The scope of a fiscal monitoring review is less than an audit, and as such, we do not express an opinion on the financial operations of 2nd Genesis Group Home. Fieldwork was completed on March 31, 2009.

This review was made under authorization contained in Section 2, Article XV of the Charter, City of St. Louis, as revised and has been conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing* and through an agreement with the City of St. Louis Department of Human Services (DHS) to provide fiscal monitoring to all grant sub-recipients.

If you have any questions, please contact the Internal Audit Section at (314) 622-4723.

Sincerely,

Kenneth M. Stone
Dr. Kenneth M. Stone
Internal Audit Executive

Enclosure

cc: Patrick Brennan, Fiscal Manager, DHS
Antoinette Triplett, Manager II - Homeless Services, DHS

CITY OF ST. LOUIS

**DEPARTMENT OF HUMAN SERVICES (DHS)
FEDERAL EMERGENCY SHELTER GRANT (FESG)**

**2ND GENESIS GROUP HOME
DOCUMENT #57817
CFDA #14.231**

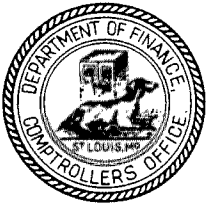
FISCAL MONITORING REVIEW

JANUARY 1, 2008 THROUGH MARCH 31, 2008

PROJECT #2009-HOM6

DATE ISSUED: DECEMBER 2, 2009

**Prepared by:
The Internal Audit Section**



OFFICE OF THE COMPTROLLER

HONORABLE DARLENE GREEN, COMPTROLLER

**CITY OF ST. LOUIS
DEPARTMENT OF HUMAN SERVICES (DHS)
FEDERAL EMERGENCY SHELTER GRANT (FESG)
2ND GENESIS GROUP HOME
FISCAL MONITORING REVIEW
JANUARY 1, 2008 THROUGH MARCH 31, 2008**

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INTRODUCTION

Background

Contract Name: 2nd Genesis Group Home

Document Number: 57817

CFDA Number: 14.231

Contract Period: January 1, 2008 through March 31, 2008

Contract Amount: \$27,000

This contract provided Federal Emergency Shelter Grant (FESG) funds to 2nd Genesis Group Home (Agency) to provide a daily emergency overflow shelter for people who are homeless.

Purpose

The purpose of the review was to determine the Agency's compliance with federal, state and local Department of Human Services (DHS) requirements for the period January 1, 2008 through March 31, 2008 and make recommendations for improvements as considered necessary.

Scope and Methodology

Inquiries were made regarding the Agency's internal controls relating to the grant administered by DHS. Evidence was tested supporting the reports the Agency submitted to DHS and other procedures were performed as considered necessary. Fieldwork was completed on March 31, 2009.

Exit Conference

The Agency was offered the opportunity for an exit; however, it was declined.

Management's Responses

On October 6, 2009 we provided the Agency with our observations and recommendations and requested a response by October 20, 2009; however, as of the date of the report, the Agency has not responded.

SUMMARY OF OBSERVATIONS

Conclusion

The Agency did not fully comply with federal, state and local DHS requirements.

Status of Prior Observations

There were no prior observations, because this was Agency's first fiscal monitoring review.

A-133 Status

According to a letter received March 25, 2009 from the Agency, it did not expend \$500,000 or more in federal funds in its fiscal year ended December 31, 2008, and was not required to have an A-133 audit.

Summary of Current Observations

Recommendations have been made for the following observations, which if implemented, could assist the Agency in fully complying with federal state and local DHS requirements.

1. Opportunity to obtain fidelity bonding insurance
2. Opportunity to develop a cost allocation plan , questioned cost \$27,000
3. Opportunity to meet cost matching requirements

DETAILED OBSERVATIONS, RECOMMENDATIONS AND MANAGEMENT'S RESPONSES

1. Opportunity to Obtain Fidelity Bonding Insurance

The Agency did not maintain a fidelity bonding policy for its employees.

DHS regulations require the Agency to be bonded and maintain a policy for all personnel with financial responsibility for the duration of the contract. This policy should be at least for the amount of the grant award.

The Agency did not have a system of internal control in place to ensure its compliance with the fidelity bonding coverage requirements of the DHS regulations.

Failure to maintain adequate bonding coverage may increase the risk of the loss of federal funds from employees' theft or dishonesty. In addition, non-compliance with the DHS regulations may result in the suspension or termination of the federal award.

Recommendation

It is recommended that the Agency comply with DHS regulations and obtain a current fidelity bonding policy.

Management's Response

On October 6, 2009 we provided the Agency with our observations and recommendations and requested a response by October 20, 2009; however, as of the date of the report, the Agency has not responded.

2. Opportunity to Develop a Cost Allocation Plan Questioned Cost \$27,000

The Agency was reimbursed on a per diem basis for the costs incurred in serving its clients. It received reimbursements of \$27,000 for the entire contract period based on a \$300 per diem rate. The Agency, however, did not maintain any documentation supporting the make-up of its "per diem" rate. .

OMB Circular A-122, Cost Principles for Non-Profit Organizations, establishes principles for determining costs of grants, contracts and other agreements with non-profit organizations. Section D.1.a of the Circular requires the Agency to provide documentation of its unit of service rate (per diem) determination.

The Agency did not have a system of internal control to ensure compliance with the cost principles of OMB Circular A-122 regarding the unit of service rate determination.

The Agency's non-compliance with the unit cost determination requirement of OMB Circular A-122, Cost Principles for Non-Profit Organizations, has resulted in a questioned cost of \$27,000. The questioned cost consisted of the total federal funds reimbursed to the Agency. In addition, non-compliance with the federal requirements may result in suspension or termination of the federal award.

Recommendation

We recommend that the Agency:

- Repay DHS \$27,000 in questioned costs.
- Establish a system of internal control to ensure compliance with the unit cost determination requirements of OMB circular A-122, Cost Principles for Non-Profit Organization.

Management's Response

On October 6, 2009 we provided the Agency with our observations and recommendations and requested a response by October 20, 2009; however, as of the date of the report, the Agency has not responded.

3. Opportunity to Meet Cost-Matching Requirements

The Agency used volunteered hours as in-kind contributions to meet the cost-matching requirements of the grant contract agreement. The hours were valued at a rate of \$10 per hour; however, the Agency did not have enough contributed hours to meet the contracts matching requirements. The Agency spent the entire grant award of \$27,000, so it had to match \$27,000 of its own funds in in-kind contributions in volunteered labor hours. The total volunteered hours the Agency matched amounted to \$5,980 only. In addition, the matched hours were not supported by signed and approved time sheets.

DHS contract agreement requires the Agency to match its funds at a 1:1 ratio to federal funds.

The Agency did not have a system of internal control to ensure compliance with the in-kind contribution matching requirements of the DHS contract agreement.

The Agency' non-compliance with the terms and condition of the DHS contract agreement has resulted in a questioned cost of \$27,000, consisting of the total federal funds reimbursed to the Agency (This amount has already been questioned in observation 2 above) . In addition, non-compliance with the terms and conditions of the DHS contract agreement may result in suspension or termination of the federal award.

Recommendation

We recommend the Agency establish a system of internal control to ensure compliance with the cost matching requirements of the DHS contract agreement.

Management's Response

On October 6, 2009 we provided the Agency with our observations and recommendations and requested a response by October 20, 2009; however, as of the date of the report, the Agency has not responded.